

SALE'S NOTE

12 June 2017

IDICO CUONG THUAN CORP – LONG TERM BENEFITS FROM QUARRIES

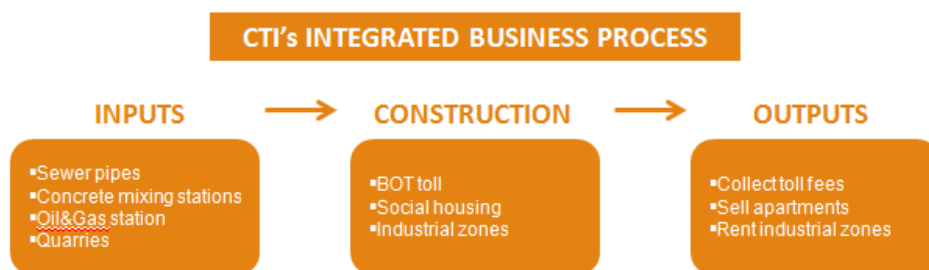
INTEGRATED BUSINESS PROCESS – ABILITY TO WIN PROJECT BIDDING

CTI has 3 core businesses: (1) construction materials: producing and trading stone, sewer pipes, concrete, and gasoline; (2) construction: BOT projects, social housing and industrial development; (3) toll fees collection.

These form an effective integrated business process which helps CTI control inputs, construction timing, and quality of the outputs => increase the chance of winning project bidding

CTI is bidding for Phuoc Binh – Long Thanh Dong Nai industrial project with the whole 640 ha, of which CTI has already won the bid for the first 200 ha.

LONG TERM STABLE INCOME FROM TOLL FEES



CTI currently has 3 toll stations operating with 2016 revenue VND412 billion. Revenue from these is expected to increase as more people are using the new roads for commuting. These tolls will be operating for another 13 years.

2 other BOT projects are expected to complete in 2018 and that would increase BOT toll revenue to VND681 billion

BOT projects	2016 revenue	2017 revenue	2018 revenue
Highway 1A	VND293 billion	VND313 billion	
Highway 91	VND66 billion	VND178 billion	
Highway 16	VND53 billion	VND55 billion	
Road for construction material transport Intersection 319 – Long Thanh Dau Giay			
Total	VND412 billion	VND546 billion	VND681 billion*

* forecasting

LONG TERM POTENTIAL STONE QUARRY MINING

CTI owns 4 quarries with a total reserve of 44 million m³ and expected mining periods from 10 – 20 years. Currently, most of the outputs are for CTI's construction needs. CTI will increase production capacity to serve the upcoming strong construction demands in the area:

1. Demand for infrastructure and residential project is high in the Southeast of Vietnam with core projects such as: Long Thanh international airport, Bien Hoa – Dong Nai Highway, Ring road 3&4, etc. Stone demand is projected to actively increase to 45 million m³ in 2020.
2. Supply is low because there are not many quarries in the area
3. Some quarries in the Southeast will be closed in 2017-2018 including Tan Dong Hiep and Nui Nho. At the same time, the cost of bidding for mining rights, natural resource tax, environmental fee, and compensation costs will continue to increase in the near future.
4. CTI with long mining period and large reserves will have the advantage and benefit itself in the long run.

CTI's Quarries Information

Quarry Name	Capacity m3/year	Mining years	Total reserves	% ownership
Tan Cang 8-9	1,000,000	9.5	11,500,000	100% & 40%
Doi Chua 3	2,000,000	20	17,800,000	100%
Xuan Hoa	500,000	20	6,720,000	80%
Binh Loi	1,000,000	11.5	8,770,000	

For conclusion, please keep a close look for CTI for its effective core businesses and the potential in its quarries. Available shares for foreign investors are about 9.7 million shares. Our valuation for CTI is VND36,521 with potential upside 25%.

Disclaimer: The writer of this note and his related ones does not own any CTI stocks at the time of issuing the notes.



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